

Department of Health
and Human Services

Maine People Living
Safe, Healthy and Productive Lives

John E. Baldacci, Governor

Brenda M. Harvey, Commissioner

Department of Health and Human Services
Commissioner's Office
221 State Street
11 State House Station
Augusta, Maine 04333-0011
Tel: (207) 287-3707; Fax (207) 287-3005
TTY: 1-800-606-0215

November 4, 2010

Scott Bullock, President & CEO
MaineGeneral Health
6 East Chestnut Street
Augusta, ME 04330

RE: New Regional Hospital and Thayer Campus Comprehensive Outpatient Services Project

Dear Mr. Bullock:

This letter will serve as notification that, on this date, I have decided to **grant with conditions** a Certificate of Need (CON) that authorizes MaineGeneral Medical Center to construct a new regional hospital in North Augusta and consolidate outpatient services at the Thayer Campus in Waterville. The total approved capital expenditure associated with this project is \$317,408,920 plus contingency of \$13,352,910. Any costs exceeding \$330,761,830 (capital expenditure plus contingency) will require a subsequent review.

My approval is conditioned on the following:

Condition A-1: The applicant must demonstrate compliance with the CMS hospital Conditions of Participation (CoPs) and provider-based regulations at 42 CFR 413.65 or other regulations in force prior to operating the Waterville Emergency Department as a "Provider-based Off-campus Emergency Department".

Condition A-2: The applicant will attain Joint Commission accreditation for the "Provider-based Off-campus ED" in Waterville by the end of the 2nd full year of operation.

Condition B-1: Upon approval of this CON and annually thereafter, until the end of the 3rd full fiscal year of the new hospital operation, MGMC will report, using forms approved by the Department, the results of physician recruitment compared to recruitment goals.

Condition B-2: Upon the approval of this CON and annually thereafter, until the 3rd full fiscal year of the new hospital operation, MGMC will not modify its existing free care policy except in response to the impact of health care reform.

Condition C-1: The applicant will demonstrate sufficient ED visits at both the Thayer and Augusta EDs to comply with the most recent guidelines published by the American College of Emergency Physicians. To support this demonstration, the applicant will provide quarterly utilization data for its emergency departments on forms approved by the Department. Failure by the applicant to demonstrate compliance with the guidelines for 4 consecutive quarters will trigger a subsequent review following approval pursuant to 22 M.R.S.A.

§332(1). These reports shall begin upon approval of this CON and continue quarterly thereafter until completion of the 3rd full fiscal year of the new hospital operation.

Condition C-2: The applicant shall submit a revised description of the project to eliminate 34 medical/surgical beds and any shell space resulting from this removal, thereby eliminating excess capacity. However, I acknowledge that your current design for HVAC systems was intended to support these extra 34 beds, and so I do not require you to change that design. This will prevent disruption to hospital operations and patients if in the future you seek and are granted CON approval to add these 34 beds.

Condition C-3: The applicant will demonstrate sufficient inpatient bed stays per year at the new Augusta campus to attain effective occupancy according to the most recent guidelines published by the Health Care Advisory Board. The applicant will provide annual utilization data for its inpatient beds on forms approved by the Department. Failure by the applicant to demonstrate a sufficient number of bed stays per year, for 2 consecutive years, will trigger a subsequent review following approval pursuant to 22 M.R.S.A. §332(1). These reports shall begin upon the opening of the new Augusta hospital and continue annually until the completion of the 3rd fiscal year of the new hospital operation.

Condition C-4: The applicant will demonstrate sufficient operating room utilization based upon the Health Care Advisory Board guidelines. The applicant will provide annual operating room utilization data on forms approved by the Department. Failure by the applicant to demonstrate sufficient operating room utilization, for 2 consecutive years, will trigger a subsequent review following approval pursuant to 22 M.R.S.A. §332(1). These reports are required upon the opening of the new Augusta hospital and continue annually until completion of the 3rd full fiscal year of the new hospital operation.

Condition C-5: The applicant shall remove the new additional CT machine and associated costs of \$1,965,971 from the proposed project. Upon approval of this CON and continuing annually until the end of the 3rd full fiscal year of the new hospital operation, the applicant will report, using forms approved by the Department, annual utilization data for its CT machines.

Condition C-6: Upon the opening of the Augusta facility and continuing annually until the end of the 3rd full fiscal year of the new hospital operation, the applicant shall provide data and statistics regarding the project's impact on improving public health indicators on forms approved by the Department.

Condition C-7: This condition incorporates a condition included in the Harold Alfond Foundation grant award to MGMC dated May 3, 2010, namely that the applicant shall secure "timely federal and state approval, funding, and construction of the I-95 highway access to the new regional hospital site, with MaineGeneral's financial contribution to such access not to exceed Two Million Dollars". Additionally, if the I-95 highway interchange at exit 113 is not completed 6 months prior to the opening of the "Provider-based Off-campus ED", the applicant shall submit patient transportation and transfer protocols to assure patient safety and timely access to inpatient services, subject to Department approval.

Condition D-1: The applicant shall limit the cost of the project as follows:

- Average of \$366/sq. ft. for hospital grade construction
- Average of \$187/sq. ft. for all other construction.

Condition F-1: Upon the opening of the Augusta facility and annually thereafter, until the end of the 3rd full fiscal year of the new hospital operation, the applicant will report baseline data and measurable improvements in quality outcomes as a result of this project.

In order for this CON to remain valid, the project must be “commenced” within 1 year from the date of the original approval noted above. You must complete implementation reports on your activities as specified for this type of project (CON Procedures Manual, Chapter 11, Sec. 3). Limited extensions may be available, if requested in a timely manner and for good cause, as explained in the Manual, Chapter 9, Sec. 3. Failure to commence the project within this 12-month period will result in expiration of the CON, unless an extension is obtained, as cited above. Please note that three criteria must be satisfied to meet the definition of “commence.”

I am granting this CON with conditions because I have determined that, with the conditions, the project meets the criteria set forth in the CON Act Sec. 335(1) and the Department’s regulations. The specific details of the project for which I have granted this CON are contained in an application found to be subject to review in accordance with the provisions of the Maine Certificate of Need Act, and was certified complete by the applicant on December 21, 2009.

Please be aware that in accordance with Section 346 of the Maine Certificate of Need Act this Certificate, as modified herein, is valid only for the stated scope, premises and facility named in the above referenced application and is not transferable or assignable.

Furthermore, it should be clearly understood that our analysis and findings regarding the need for the proposed project as well as its financial and economic feasibility have been predicated on the application record as described in the Manual, Chapter 8, Subsection 5. Consequently, the proposal must be implemented consistent with the approval and conditions stated in this letter, as informed and clarified by the Department’s analysis and findings as summarized in the following Department staff reports:

1. PRELIMINARY STAFF REPORT: Report from Steven Keaten, Health Care Financial Analyst, CONU; Larry Carbonneau, Health Care Financial Analyst, CONU and Richard April, Health Care Financial Analyst, CONU to Phyllis Powell, Assistant Director, Licensing and Regulatory Services, dated September 23, 2010.
2. FINAL REVIEW: Briefing memo to Brenda M. Harvey, Commissioner, DHHS, dated November 4, 2010.

No significant changes to the project, no variations from the projected operating costs, no modifications of the terms of financing the project, and no increase in the capital expenditures to be made are permitted without the prior written approval of the Department. Any such variances may result in either the disallowance of related expenses, financial penalties or the immediate revocation of the CON.

Please work closely with my staff in the CONU to assure this project is implemented in accordance with the provisions of this Certificate and applicable rules and regulations. As part of this requirement, you are reminded that, prior to construction, the appropriate licensing and certification and State Fire Marshal officials must approve all working drawings and construction specifications.

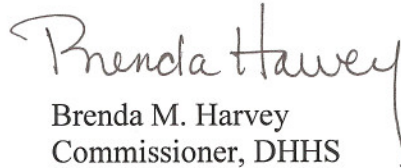
MaineGeneral Medical Center

New Inpatient Facility

The law requires that a holder of a CON make a written report at the end of each six-month period following its issuance. Details regarding this and related requirements will be made the subject of a separate letter from the CONU.

My staff will work with you as necessary.

Sincerely,


Brenda M. Harvey
Commissioner, DHHS

cc: Chuck Hayes, President MGMC
Gail Evans, Senior VP
Catherine Cobb, Director
Phyllis Powell, Assistant Director
Anne Flanagan, Assistant Director
Herb Downs, Audit
Janine Raquet, AAG
file